



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

(Company No.: 197501003884 (25583-W))

(Incorporated in Malaysia)

SUBJECT: MATERIAL LITIGATION

MATERIAL LITIGATION UPDATE

Sarawak Consolidated Industries Berhad (“the Plaintiff” or “the Company” or “SCIB”) against Gaya Belian Sdn. Bhd. and two other individuals (“the Defendants”): High Court of Sabah and Sarawak at Kota Kinabalu, (i) Ex-Parte Notice of Application and (ii) Originating Summons No. BKI-24NCC (ARB)-2/7-2018.

The Plaintiff and the Defendants are collectively refer as “Parties”.

We refer to all the announcements made earlier dated 3 July 2018 and 18 September 2018 in relation to the legal proceedings (“Announcements”).

Unless otherwise defined, the terms used herein shall have the same meaning as those defined in the Announcements.

BACKGROUND

The Company had obtained an Ex-Parte Injunction Order on 3 July 2018 which was affirmed on 28 November 2018 on the inter-parte hearing.

Accordingly, the Injunction Order restraining the Defendants from selling, transferring or dealing with the Company’s shares, remains valid and enforceable until the disposal of the dispute as between the Parties, either by way of arbitration or court proceedings.

The Defendants have appealed to the Court of Appeal against the decision of the High Court affirming the interim Injunction Order.

This Appeal is pending before the Court of Appeal as of now.

Notwithstanding the said Appeal, the Injunction Order remains valid, enforceable and binding on the Parties.

The Parties attempted mediation and for this purpose, Mr. Ramdas Tikamdas was appointed as the Mediator by the Parties and the first mediation meeting was held on 29 January 2019 at Asian International Arbitration Centre (“AIAC”) in Kuala Lumpur.

After several deliberations, the Parties mutually agreed to meet separately to further seek a mediated settlement.

However, as the mediation has failed and the Parties being unable to reach a mediated settlement, Notice to commence arbitration with reference to the Notice of Dispute dated 25 May 2018 has been issued by a letter dated 18 February 2020.

Having received no response from the Defendants yet another Notice of Arbitration was issued in the 28 February 2020.

Request to concur on the appointment of an Arbitrator to the Defendants’ Solicitors received no response as of date hereof.

Accordingly, pursuant to Clause 10.14(b)(3) of the Share Sale Agreement dated 28th December 2016 (“SSA”), the Company has referred the matter by a letter dated 5 August 2020 to AIAC, for the appointment of an Arbitrator.

However, AIAC had responded that, as there is no Director being appointed presently, AIAC is not in position to appoint an Arbitrator.

Subsequently, the Parties met with a view to achieve amicable settlement and have agreed to settle the disputes as between them under the SSA and in this regard, have proposed to enter into a Settlement Agreement together with a Consent Court Order under the Originating Summons No. BKI-24NCC (ARB)-2/7-2018, in the High Court in Kota Kinabalu.

The settlement terms have been finalized and the Parties are in the process of executing a Settlement Agreement as a full and final settlement of all disputes, conflicts, claims, allegations, actions, obligations, demands, suits and/or legal proceedings that the Parties have or may have now or in the future against each other arising from or in connection with all matters relating to the Share Sale Agreement dated 28th December 2016 (SSA) and other related agreements.

The parties had on 4 December 2020 mutually applied to the Court under the existing Originating Summons suit to obtain Consent Court Order setting out the salient terms of the Settlement Agreement.

THE PARTICULARS OF THE CLAIMS

BRIEF BACKGROUND FACTS OF THE DISPUTE

1. The dispute involves various contractual documents entered into between either the Company or Carlton Gardens Sdn. Bhd. (“CGSB”) with certain other parties.

The relevant documents (“Agreements”) are as follows:

- A) Sub-Contract Agreement dated 11 November 2016;
- B) Lease Agreement dated 15 November 2016
- C) Asset Purchase Agreement dated 25 November 2016;
- D) Management Agreement dated 25 November 2016; AND
- E) SSA.

2. **SSA**

- (1) The SSA is entered into between Gaya Belian Sdn. Bhd. (“GBSB”) and the two other individuals (collectively known as “the Vendors”) on the one part, Carlton Gardens Sdn. Bhd and the Company (“the Purchaser”) on the second part and third part.
- (2) The SSA is for the sale of 4,463,640 ordinary shares of RM1 each in the Company, which shares are owned in aggregate by the Vendors.
- (3) CGSB is engaged in the manufacture, supply and installation of interlocking blocks.
- (4) The SSA is interlinked with the other Agreements entered into between the Parties.
- (5) The Company had terminated the SSA on 19 April 2018 on the grounds that the Defendants had induced the Company to enter into the SSA by certain representations made by the Defendants which were subsequently found to unsubstantiated and therefore those representations amounted to misrepresentations, i.e. the Vendors under the SSA.
- (6) Further to paragraph 5 hereof, by letter dated 25 May 2018, Notice to commence arbitration was issued to GBSB and the other two individuals.
- (7) Subsequently, the Parties have agreed to settle the dispute as between them under the SSA.
The settlement terms have been finalized and the Parties are in the process of executing a Settlement Agreement as a full and final settlement of all disputes, conflicts, claims, allegations, actions, obligations, demands, suits and/or legal proceedings that the Parties

have or may have now or in the future against each other arising from or in connection with all matters relating to the SSA and other related agreements.

The parties had on 4 December 2020 mutually applied to the Court under the existing Originating Summons suit to obtain Consent Court Order setting out the salient terms of the Settlement Agreement and the High Court at Kota Kinabalu has entered the Consent Order on the 11 December 2020.

FINANCIAL AND OPERATIONAL IMPACT ON THE COMPANY ON THE CONSENT ORDER

The Consent Order has no effect on the issued and paid-up share capital save for the changes in the interests of substantial shareholders and is not expected to have any material negative effect on the net assets per share, earnings per share and gearing of SCIB Group for the financial year ending 31 December 2020.

DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors or major shareholders of SCIB or persons connected to them has any interest, direct or indirect, in the aforesaid Consent Order.

The Company will make the appropriate announcements to Bursa Malaysia Securities Berhad as and when there are material developments in relation thereof.

This announcement is dated 11 December 2020.